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October 24, 2007

Eric A. Cioppa, Acting Superintendent
c/o Vanessa Leon
Docket No. INS-07-1000
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

Re: Anthem BCBS 2008 HealthChoice Individual Rate Filing
Filing coversheet

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach
DATE: October 24, 2007
DOCUMENT TITLE: Anthem BCBS Response to Hearing Requests
DOCUMENT TYPE: Response to Hearing Requests
CONFIDENTIAL: **No**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

cc: Thomas C. Sturtevant, Esquire
Christina M. Moylan, Esquire
Judith M. Shaw, Deputy Superintendent
James Bowie, Esquire

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:)	
)	
ANTHEM BLUE CROSS AND BLUE)	
SHIELD 2008 INDIVIDUAL RATE)	APPLICANTS' RESPONSE TO
FILING FOR HEALTHCHOICE,)	HEARING REQUESTS
HEALTHCHOICE STANDARD AND)	
BASIC PRODUCTS)	
)	October 24, 2007
Docket No. INS-07-1000)	

Applicant Anthem Health Plans of Maine, Inc., d/b/a Anthem Blue Cross and Blue Shield ("Anthem BCBS") hereby responds to the information requested at the October 22, 2007 hearing as follows:

1. Please explain why there is a variance in the PCPM commission amounts between last year's projections and this year's.

Response: The commission amount projected for 2007 in last year's filing, \$2.51 PCPM, was derived based on a projection of new contracts entering through brokers in the latter portion of 2006 and all of 2007. It now appears that the new contract enrollment projection was high thus resulting in an estimate of commissions that exceeded current expectations for 2007. The lower projection for the proposed rates (\$1.77 PCPM) remains a reasonable estimate for the rating period.

2. Please provide the projected PMPM for pharmacy as of December 31, 2008 and compute the PCPM amount based on that PMPM projection.

Response: The projected 2008 PMPMs for pharmacy on an allowed and paid basis are \$48.53 and \$25.81 respectively. The associated allowed and paid values on a PCPM basis using a member to contract ratio of 1.77 are \$85.90 and \$45.68 respectively. These numbers were determined using the projected trend (no leveraging factor is applied to the allowed amounts) and observed claim values as included on Exhibit VI in the filing exhibits accompanying the pre-filed testimony of William Whitmore.

3. Please describe the experience for Anthem by Design HSA relative to the experience for HealthChoice.

Response: Experience in terms of the loss ratio for the twelve month period August 1, 2006 through July 31, 2007:

HealthChoice: 87.8%

Anthem by Design HSA: 47.5%

Distinct from HealthChoice, Anthem by Design HSA offers only two benefit levels, with deductibles at \$2,600 and \$5,000. The product was introduced in May, 2005. Enrollment in Anthem By Design HSA was closed to new business when the Lumenos CDHP Individual products were introduced in January, 2007. The last rate change for Anthem by Design was implemented in June, 2006. As of September, 2007, there remain 757 Anthem by Design subscribers. Given the small number of subscribers, combining Anthem by Design experience with HealthChoice would have a small favorable impact on HealthChoice rates, while creating extremely large increases for Anthem by Design subscribers.

4. Please explain how Anthem BCBS will treat renewal members who turn 65, but are not eligible for Medicare.

Response: Anthem BCBS developed community rates for age bands under 30 through age 64. Those age 65 and older on or after July 1, 2000 and eligible for Medicare Part A without paying a premium can be charged a separate community rate. Although Anthem BCBS developed a separate community rate for those members, based on the discussions at the hearing, Anthem BCBS will develop rates for that separate community that are compliant with Rule 940. Because developing rates for the 65 and older age band that are Rule 940 compliant involves a somewhat different methodology from that used to develop the proposed rates, Anthem BCBS will explore developing those appropriate rates for next year's HealthChoice filing. Accordingly, for 2008 all members 55 and older will be charged the rate applicable for those age 55 to 64.

5. Referencing Anthem BCBS's response to the Third Requests of the Attorney General, Response No. 7, please confirm the accuracy of (a) the percentages of members who have met or exceeded the deductible amounts for the \$10,000 and \$15,000 options; and (b) the paid amounts per member for those same options.

Response: We have reviewed the data in the referenced columns and it is accurate.

(a) The first two columns represent the percentage of members with a claim paid by Anthem BCBS. This includes claims paid prior to the deductible for those members who purchased the Preventive Care and Supplemental Accident Rider. Additionally, certain mandated options cover drugs through co-pays and, accordingly, would have claims paid prior to the member reaching the deductible.

(b) The second two columns show the average annual dollars paid by Anthem BCBS per member, which was calculated by taking the total claims paid in the year divided by the number of active members in the year. All members active in the year were included in the calculation regardless of their duration during the year with no weighting based on duration.

6. Please describes the steps Anthem BCBS takes to contact members in the event the member could save money by switching the contract holder to a younger spouse.

Response: In his November 8, 2002 Decision and Order regarding the 2003 HealthChoice rate increase, the Superintendent required Anthem BCBS to provide two written notices and a follow-up telephone call to policyholders with spouses in lower age bands to inform them that they could save money by changing the named policyholder to the younger spouse. As part of the December 16, 2004 Decision and Order from the Superintendent regarding the 2005 HealthChoice Rate Filing, the Superintendent removed the requirement for the second written notification, requiring instead a single written notice, followed up by a telephone call to those who did not respond to the notification letter. (See In re Anthem BCBS 2005 Individual Rate Filing for HealthChoice Products, INS-04-610, Decision and Order, Ordering Paragraph 8.)

Anthem BCBS has followed that requirement by developing a “subscriber flip” process that complies with the Superintendent’s 2004 Decision and Order. Below are the results of the 2006 subscriber flip process, which were shared with the Maine Bureau of Insurance in early 2007:

353 Letters were mailed to HealthChoice subscribers who had a spouse in a lower age band.

171 Follow up telephone calls were made to the subscribers that did not respond to the letter.

166 Subscribers have flipped to the younger spouse as the policyholder.

37 Subscribers declined and did not want to flip.

29 Subscribers have cancelled since Anthem BCBS sent the letters.

121 Subscribers did not respond to the follow up telephone call.

DATED: October 24, 2007

/s/ Christopher T. Roach
Christopher T. Roach, Esq.

PIERCE ATWOOD LLP
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Attorney for Applicant

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 24, 2007, a copy of the Non-Confidential Version of Applicant's Response to the Hearing Requests was served in the manner indicated on each of the persons listed below:

Thomas C. Sturtevant, Esq. (via electronic mail and U.S. Mail)
State of Maine
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(Counsel to the Superintendent)

Christina Moylan, Esq. (via electronic mail and U.S. Mail)
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(Counsel to the Advocacy Panel)

DATED October 24, 2007

/s/ Christopher T. Roach
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